

**BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN**

Application of Milwaukee Water Works,
Milwaukee County, Wisconsin,
for Authority to Increase Water Rates

Docket 3720-WR-107

BRIEF COMMENTS OF THE WISCONSIN INDUSTRIAL ENERGY GROUP

The Wisconsin Industrial Energy Group (“WIEG”) represents over 30 large companies with operations in Wisconsin, which employ approximately 50,000 people. WIEG members represent many of the state’s largest energy consumers including paper, malting, automobile, food processing, chemical, metal casting, and fabricating companies. WIEG includes as members many industrial large water users within the Milwaukee Water Works (“MWW”) service territory and is, therefore, very concerned about its proposed double digit rate increases.

It appears from MWW’s application that lower water sales is one of the primary drivers of the proposed rate increase, driven by a combination of conservation and loss of industry. The lost sales have resulted in MWW’s remaining customer base bearing the brunt of the fixed costs. While water conservation is desirable, capacity surplus—due to loss in businesses—is damaging as it has a spillover and negative multiplier effect on Wisconsin’s economic health. It results, as we see here, in increased costs for all customers but particularly businesses. Furthermore, the proposed large rate increases, which are higher than average for industrial customers, could potentially create a “death spiral” of rate increases necessary to keep the water system intact. Businesses leave the state or do not bring business to the state, which results in still greater increases in the future.

The higher-than-average proposed rates for industrial customers are punitive to large volume water users. Even after revising initially proposed rate increases that were close to 50% for some users, the largest urban industrial customers still face a 33% rate increase. Such high rate increases would be a major deterrent for business retention and expansion. For example, Cintas, based out of Cincinnati, Ohio, has been considering expanding in Milwaukee and is now rethinking its plans to relocate here due to this proposed rate hike. At a time when MWW has under-utilized capacity, it is important that rate signals be reflective of encouraging business retention and expansion especially since water is being touted by Mayor Barrett as an economic development tool. As such, WIEG

urges the Public Service Commission to adopt a rate structure that would *lower* rates for industrial and commercial classes.

WIEG also urges the Commission to take measures to reduce the likelihood of further demand destruction before a death spiral occurs and it will be too late for any program to have a beneficial impact. Proposed WAVE (“Water Attracting Value Employers”) rates appear to be a good example to help maximize under-utilized water capacity and increase water sales that will result in spreading the fixed costs on a larger volume. The introduction of such rates is not sending mixed signals to conserve less but to help attract new industry and revive Wisconsin’s financial health.

Dated this 11th day of August 2010.

Respectfully submitted,

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